

Accordingly, the Exchange believes that these series are the most appropriate for automatic execution.

According to the PHLX, the proposal is also a response to recent volatility in the over-the-counter ("OTC") markets, which has made it increasingly difficult for specialists and market makers to monitor quotations to reflect changes in the markets for the underlying securities. The PHLX believes that market makers and specialists require sufficient time to adjust their quotations, particularly because participation in AUTOM and AUTO-X is mandatory.

In addition, the PHLX states that it is consistent with the practices of other options exchanges to limit automatic execution eligibility to certain series, such as near-term, at-the-money series.<sup>12</sup> Thus, for competitive reasons, the Exchange seeks to create a level playing field with respect to automatic execution parameters.

The Exchange notes that the proposal does not affect the AUTO-X eligibility of any other equity or index option. The PHLX intends to clearly communicate to its membership and AUTOM users, on a periodic basis, the proposed AUTO-X limitation for XOC options through an information circular.

The PHLX believes that the proposal is consistent with Section 6(b) of the Act, in general, and, in particular, with Section 6(b)(5), in that it is designed to promote just and equitable principles of trade and to prevent fraudulent and manipulative acts and practices.

The Commission finds that the proposed rule change is consistent with the requirements of the Act and the rules and regulations thereunder applicable to a national securities exchange, and, in particular, the requirements of Section 6(b)(5) in that the proposal is designed to promote just and equitable principles of trade and to protect investors and the public interest.<sup>13</sup> Specifically, the Commission believes that the proposal strikes a reasonable balance between preserving the benefits of AUTO-X for the XOC series traded most frequently by public consumers and providing PHLX market makers and specialists with sufficient time to update their quotations in higher-priced XOC series. In this regard, the PHLX has stated that most public customer orders in XOC options are for series where the bid is at or below \$10. Thus, by maintaining the AUTO-X eligibility of such XOC orders, the

proposal ensures that public customer orders in XOC options where the bid is at or below \$10 will continue to receive the benefits of AUTO-X, including the guaranteed execution of public customer orders for up to 20 contracts in such XOC options at the displayed quote. Despite the change in AUTO-X eligibility for certain XOC series, the Commission notes that under PHLX rules public customer orders in XOC series where the bid is above \$10 will continue to be guaranteed the best quoted bid or offer for at least 10 contracts.<sup>14</sup>

The continued availability of AUTO-X for those XOC series where the bid is \$10 or less should help to maintain the depth and liquidity of the market for XOC options and minimize the number of XOC transactions that require manual execution on the Exchange floor, thereby providing the opportunity for increased efficiency in the handling of non-AUTOM orders. At the same time, requiring manual execution of orders in XOC series where the bid is greater than \$10 should help to ensure that market makers and specialists have sufficient time to update their quotations to reflect changes in the markets for the underlying securities before executing an option order. Accordingly, the proposal should address the problems associated with the high volatility of the securities comprising the XOC, which has resulted in the need for PHLX specialists to frequently change quotes in the XOC.<sup>15</sup>

The Commission notes that the Chicago Board Options Exchange, Inc. ("CBOE") limits the availability of automatic execution to certain options series. Specifically, on the CBOE only the four most active puts and calls in the two near-term months in Nasdaq 100 Index options, Standard & Poor's ("S&P") 500 Index options, and S&P 100 Index options are eligible for the CBOE's Retail Automated Execution System

("RAES").<sup>16</sup> The Commission is not aware of any significant negative comments associated with the CBOE's RAES policy. Accordingly, the Commission believes that it is reasonable for the PHLX, like the CBOE, to limit the use of automatic execution to those series most actively used by public customers.<sup>17</sup>

Finally, the PHLX has represented that it will communicate the change in AUTO-X eligibility to its members and AUTOM users through an information circular prior to implementing the rule. The PHLX also will periodically notify members about the new rule. The Commission believes that this will provide PHLX members and AUTOM users with adequate notice of the change in the availability of AUTO-X for XOC options.

*It is therefore ordered*, pursuant to Section 19(b)(2) of the Act,<sup>18</sup> that the proposed rule change (File No. SR-PHLX-95-33) is approved.

For the Commission, by the Division of Market Regulation, pursuant to delegated authority.<sup>19</sup>

Margaret H. McFarland,  
Deputy Secretary.

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## DEPARTMENT OF TRANSPORTATION

### Federal Aviation Administration

#### Proposed Advisory Circular 21-32A, Control of Products and Parts Shipped Prior to Type Certificate Issuance

**AGENCY:** Federal Aviation Administration (FAA), DOT.

**ACTION:** Notice.

**SUMMARY:** This notice announces the availability of proposed Advisory Circular (AC) 21-32A, Control of Products and Parts Shipped Prior to Type Certificate Issuance, for review and comments. The proposed AC 21-32A provides information and guidance concerning an acceptable means, but not the only means, of demonstrating compliance with the requirements of the Federal Aviation Regulations (FAR) part 21, Certification Procedures for Products and Parts.

<sup>16</sup> Telephone conversation between Dan Hustad, CBOE, and Yvonne Fraticelli, Attorney, Options Branch, Division, Commission, on July 7, 1995.

<sup>17</sup> The Commission would be concerned about any proposal that would limit the availability of automatic execution systems to only out-of-the-money series. See The Division of Market Regulation, The October 1987 Market Break (February 1988) at 8-22.

<sup>18</sup> 15 U.S.C. 78s(b)(2) (1984).

<sup>19</sup> 17 CFR 200.30-3(a)(12) (1994).

customer trades represented 439 contracts out of a total of 531 contracts.

<sup>12</sup> See note 17, *infra*, and accompanying text.

<sup>13</sup> 15 U.S.C. § 78f(b) (1988 & Supp. V 1993).

<sup>14</sup> The Commission notes that under PHLX Rule 1033(a), "Bids and Offers—Premium," specialists and Registered Options Traders are required to fill public customer orders to a minimum depth of 10 contracts at the best quoted bid or offer. As a matter of policy, public customer orders in XOC options where the bid is at or below \$10 that are executed manually will be filled to a depth of 20 contracts at the best quoted bid or offer.

<sup>15</sup> The Commission notes that it considered the volatility of the XOC, in addition to other factors, in approving a PHLX proposal to widen the maximum quote spread parameters for higher-priced XOC options. See Securities Exchange Act Release No. 34781 (October 3, 1994), 59 FR 51467 (October 11, 1994) (order approving File No. SR-PHLX-94-28) (approving quote spreads of \$2.00 for XOC options with bids of \$20.00 to less than \$40.00 and \$3.00 for XOC options with bids of \$40.00 or more).

**DATES:** Comments submitted must identify the proposed AC 21-32A, project number 94-031, and be received by December 30, 1995.

**ADDRESSES:** Copies of the proposed AC 21-32A can be obtained from and comments may be returned to the following: Federal Aviation Administration, Policy and Procedures Branch, AIR-230, Production and Airworthiness Certification Division, Aircraft Certification Service, 800 Independence Avenue, SW., Washington, DC 20591.

**FOR FURTHER INFORMATION CONTACT:** Production and Airworthiness Certification Division, Room 815, Aircraft Certification Service, Federal Aviation Administration, 800 Independence Avenue, SW., Washington, DC 20591, (202) 267-8361.

#### Background

The proposed AC 21-32A provides information and guidance to FAA production approval and approved production inspection system holders concerning the control of products and parts shipped prior to the insurance of type certificate or supplemental type certificate.

#### Comments Invited

Interested persons are invited to comment on the proposed AC 21-32A listed in this notice by submitting such written data, or arguments as they desire to the aforementioned specified address. All communications received on or before the closing date for comments specified above will be considered by the Director, Aircraft Certification Service, before issuing the final AC.

Comments received on the proposed AC 21-32A may be examined before and after the comment closing date in Room 815, FAA headquarters building (FOB-10A), 800 Independence Avenue, SW., Washington, DC 20591, between 8:30 a.m. and 4:30 p.m.

Issued in Washington, DC, on November 9, 1995.

Terry Allen,

*Acting Manager, Production and Airworthiness Certification Division.*

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#### Civil Tiltrotor Development Advisory Committee

Pursuant to Section 10(A)(2) of the Federal Advisory Committee Act, Public Law (72-362); 5 U.S.C. (App. I), notice is hereby given of a meeting of the Federal Aviation Administration (FAA) sponsored Civil Tiltrotor Development

Advisory Committee (CTRDAC) to be held December 4 at 10:30 a.m. The meeting will take place at the U.S. Department of Transportation, 400 7th Street, SW., Washington, DC, in rooms 10234-10236.

The agenda for the final meeting of the CTRDAC will include:

- (1) Discussion of the draft Civil Tiltrotor Development Advisory Committee Report
- (2) Discussion of unresolved issues

Since access to the DOT building is controlled, all persons who plan to attend the meeting must notify Ms. Karen Braxton, Staff Assistant to the Designated Federal Official on (202) 267-9451 prior to close of business on November 28. Attendance is open to the interested public but limited to space available. With the approval of the Chairman, members of the public may present oral statements at the meeting. Noncommittee members wishing to present oral statements, obtain information, or who plan to access the building to attend the meeting should also contact Ms. Braxton.

Members of the public may present a written statement to the Committee at any time.

Persons with a disability requiring special services, such as an interpreter for the hearing impaired, should contact Ms. Karen Braxton (202) 267-9451 at least seven days prior to the meeting. Issued in Washington, D.C. on November 9, 1995.

Richard A. Weiss,

*Designated Federal Official, Civil Tiltrotor Development Advisory Committee.*

[FR Doc. 95-28346 Filed 11-15-95; 8:45 am]

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#### National Highway Traffic Safety Administration

[Docket No. 95-71; Notice 2]

#### Bridgestone/Firestone, Inc.; Grant of Application for Decision of Inconsequential Noncompliance

Bridgestone/Firestone, Inc. (Bridgestone/Firestone) of Nashville, Tennessee, has determined that some of its tires fail to comply with the labeling requirements of 49 CFR 571.119, Federal Motor Vehicle Safety Standard (FMVSS) No. 119, "New Pneumatic Tires for Vehicles Other Than Passenger Cars," and has filed an appropriate report pursuant to 49 CFR Part 573, "Defect and Noncompliance Reports." Bridgestone/Firestone has also applied to be exempted from the notification and remedy requirements of 49 U.S.C. Chapter 301—"Motor Vehicle Safety"

on the basis that the noncompliance is inconsequential to motor vehicle safety.

Notice of receipt of the application was published on August 21, 1995 (60 FR 43491). This notice grants the application.

In FMVSS No. 119, Paragraph S6.5(b) specifies that each tire shall be marked with "[t]he tire identification number required by Part 574 [Tire Identification and Recordkeeping] of this chapter." In Part 574.5, Paragraphs (a) through (d) specify the information which must be placed on the tire. Paragraphs (a) through (c) specify information relating to the identification of the manufacturer and tire size. Paragraph (d) specifies information relating to the specification of a code for the date of manufacture. Paragraph (d) states that the date code "shall immediately follow" the information specified in Paragraphs (a) through (c).

During the period of July 17, 1994 through April 24, 1995, Bridgestone/Firestone produced 19,563 tires which had incorrect serial numbers. The sizes of the subject tires are 8.25-20, 9.00-20, 10.00-20, and 11.00-20. In the incorrect serial numbers, the date code is at the beginning of the number rather than at the end, as required. The tires are labeled as "384 V52JEFD" instead of the required "V52JEFD 384." The date code is "384."

Bridgestone/Firestone supported its application for inconsequential noncompliance with the following:

First, all tires manufactured in the affected size/type meet all requirements of Standard 119 except tire markings pertaining to [S6.5(b)].

Second, if there would be a need for the consumer or manufacturer representative (BFS) to read the serial, sufficient information exists to define the manufacturing location as Bridgestone/Firestone, Inc., Mexico City, Mexico. This situation has been reviewed with our Registration company and can be adequately handled.

Thirdly, a principal need for tire serials is identification for recall purposes. In the event of any future recall of these tires, the recall letter would explain the transposed marking.

No comments were received on the application.

The primary safety purpose of requiring serial information on tires is to enable identification of them for the purposes of notification and remedy in the event they are determined to be noncompliant or incorporate a safety-related defect. If it is necessary to recall the tires that are the subject of this application, enough information exists on them to trace the tires back to their plant of manufacture. Further, Bridgestone/Firestone would explain